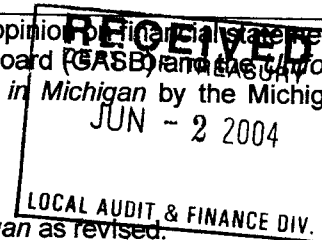


AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Felch	County Dickinson
Audit Date March 31, 2004	Opinion Date May 18, 2004	Date Accountant Report Submitted to State: May 18, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF FELCH
Dickinson County, Michigan

RECEIVED
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

✓ JUN -2 2004
Year Ended March 31, 2004

TOWNSHIP OF FELCH
Dickinson County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

May 18, 2004

To the Township Board
Township of Felch
Dickinson County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Felch, Dickinson County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Felch's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Felch, Dickinson County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Felch, Dickinson County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF FELCH
Dickinson County, Michigan

COMBINING BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<u>Assets</u>	<u>General</u>	<u>Agency</u>		
Cash in bank	193 461 17	29 314 89	-	222 776 06
Taxes receivable	3 416 15	-	-	3 416 15
Due from other funds	29 314 89	-	-	29 314 89
Land and improvements	-	-	74 709 14	74 709 14
Buildings	-	-	468 223 80	468 223 80
Equipment	-	-	197 537 75	197 537 75
Total Assets	<u>226 192 21</u>	<u>29 314 89</u>	<u>740 470 69</u>	<u>995 977 79</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	1 340 28	-	-	1 340 28
Due to other funds	-	29 314 89	-	29 314 89
Total liabilities	<u>1 340 28</u>	<u>29 314 89</u>	<u>-</u>	<u>30 655 17</u>
Fund equity:				
Investment in general fixed assets	-	-	740 470 69	740 470 69
Fund balances:				
Unreserved:				
Undesignated	224 851 93	-	-	224 851 93
Total fund equity	<u>224 851 93</u>	<u>-</u>	<u>740 470 69</u>	<u>965 322 62</u>
Total Liabilities and Fund Equity	<u>226 192 21</u>	<u>29 314 89</u>	<u>740 470 69</u>	<u>995 977 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FELCH
Dickinson County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

	<u>Governmental Fund Type</u>
	<u>General</u>
Revenues:	
Property taxes	36 299 50
Other taxes	61 417 09
Federal grant	22 646 00
State grant	27 000 00
State revenue sharing	52 464 62
Charges for services:	
Property tax administration	9 808 41
Interest	2 596 22
Rents	10 710 00
Miscellaneous	<u>786 69</u>
Total revenues	<u>223 728 53</u>
Expenditures:	
Legislative:	
Township Board	4 846 05
General government:	
Supervisor	4 962 35
Elections	209 48
Assessor	13 614 12
Clerk	6 107 10
Board of Review	654 54
Treasurer	11 620 85
Building and grounds	23 631 36
Cemetery	2 321 17
Unallocated	15 140 99
Public safety:	
Liquor law enforcement	360 00
Fire protection	31 148 43
Ambulance	9 725 52
Public works:	
Street lighting	6 771 60
Sanitation	15 352 32
Culture and recreation:	
Recreation	7 370 18
Capital outlay	<u>1 733 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FELCH
Dickinson County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Type</u>
	<u>General</u>
Total expenditures	<u>155 569 85</u>
Excess of revenues over expenditures	68 158 68
Fund balance, April 1	<u>156 693 25</u>
Fund Balance, March 31	<u>224 851 93</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FELCH
Dickinson County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C

Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	25 509 00	36 299 50	790 50
Other taxes	60 400 00	61 417 09	1 017 09
Federal grant	3 000 00	22 646 00	19 646 00
State grant	27 000 00	27 000 00	-
State revenue sharing	56 500 00	52 464 62	(4 035 38)
Charges for services:			
Property tax administration	4 850 00	9 808 41	4 958 41
Interest	3 500 00	2 596 22	(903 78)
Rents	12 000 00	10 710 00	(1 290 00)
Miscellaneous	4 335 00	786 69	(3 548 31)
Total revenues	<u>207 094 00</u>	<u>223 728 53</u>	<u>16 634 53</u>
Expenditures:			
Legislative:			
Township Board	5 000 00	4 846 05	(153 95)
General government:			
Supervisor	5 115 00	4 962 35	(152 65)
Elections	600 00	209 48	(390 52)
Assessor	14 425 00	13 614 12	(810 88)
Clerk	6 190 00	6 107 10	(82 90)
Board of Review	1 320 00	654 54	(665 46)
Treasurer	11 240 00	11 620 85	380 85
Building and grounds	25 450 00	23 631 36	(1 818 64)
Cemetery	2 325 00	2 321 17	(3 83)
Unallocated	15 190 00	15 140 99	(49 01)
Public safety:			
Zoning	120 00	-	(120 00)
Liquor law enforcement	360 00	360 00	-
Fire protection	37 900 00	31 148 43	(6 751 57)
Ambulance	10 000 00	9 725 52	(274 48)
Public works:			
Highways and streets	35 200 00	-	(35 200 00)
Street lighting	7 100 00	6 771 60	(328 40)
Sanitation	15 450 00	15 352 32	(97 68)
Culture and recreation:			
Recreation	10 200 00	7 370 18	(2 829 82)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FELCH
Dickinson County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C

Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Capital outlay	<u>2 100 00</u>	<u>1 733 79</u>	<u>(366 21)</u>
Total expenditures	<u>205 285 00</u>	<u>155 569 85</u>	<u>(49 715 15)</u>
Excess of revenues over expenditures	1 809 00	68 158 68	66 349 68
Fund balance, April 1	<u>-</u>	<u>156 693 25</u>	<u>156 693 25</u>
Fund Balance, March 31	<u>1 809 00</u>	<u>224 851 93</u>	<u>223 042 93</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FELCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Felch, Dickinson County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Felch. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

TOWNSHIP OF FELCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was 1.8603 mills, and the taxable value was \$19,475,181.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

TOWNSHIP OF FELCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

TOWNSHIP OF FELCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

TOWNSHIP OF FELCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

	<u>Carrying Amounts</u>
Total Deposits	<u>222 776 06</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	109 379 99
Uninsured and Uncollateralized	<u>142 023 68</u>
Total Deposits	<u>251 403 67</u>

The Township of Felch did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	74 709 14	-	-	74 709 14
Buildings	468 223 80	-	-	468 223 80
Equipment	<u>195 803 96</u>	<u>1 733 79</u>	-	<u>197 537 75</u>
Totals	<u>738 736 90</u>	<u>1 733 79</u>	<u>-</u>	<u>740 470 69</u>

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>29 314 89</u>	Current Tax Collection	<u>29 314 89</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF FELCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes amounts based on each employee's annual salary to the plan. Pension expense for the year ended March 31, 2004, was \$2,375.00.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Felch does not issue building permits. Building permits are issued by the County of Dickinson.

Note 9 – Budget Variances

Public Act 621 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budget of the Township for the General Fund was adopted on an activity level, and amended periodically by the Township Board. During the year ended March 31, 2004, the Township incurred expenditures in certain activities which were in excess of the amounts appropriated.

<u>Fund/Activity:</u>	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Treasurer	11 240 00	11 620 85	380 85

Note 10 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF FELCH
Dickinson County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year Ended March 31, 2004

EXHIBIT D

Page 1

Township Board:

Salaries	1 250 00
Telephone	570 54
Pension	2 375 00
Memberships and dues	532 04
Miscellaneous	118 47
	<u>4 846 05</u>

Supervisor:

Salary	4 500 00
Salary – Deputy	300 00
Travel	60 30
Miscellaneous	102 05
	<u>4 962 35</u>

Elections:

Wages	<u>209 48</u>
-------	---------------

Assessor:

Salary	13 099 92
Office supplies	7 40
Telephone	81 84
Travel	424 96
	<u>13 614 12</u>

Clerk:

Salary	5 400 00
Salary – Deputy	300 00
Office supplies	74 20
Travel	332 90
	<u>6 107 10</u>

Board of Review:

Wages	<u>654 54</u>
-------	---------------

Treasurer:

Salary	6 600 00
Salary – Deputy	300 00
Office supplies	1 580 80
Miscellaneous	49 25
Travel	490 80
Tax roll preparation	2 600 00
	<u>11 620 85</u>

TOWNSHIP OF FELCH
Dickinson County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Building and grounds:	
Salary	8 700 00
Operating supplies	1 924 31
Utilities	10 822 86
Repairs and maintenance	2 179 19
Miscellaneous	5 00
	<u>23 631 36</u>
Cemetery:	
Wages	1 750 00
Supplies	250 68
Miscellaneous	320 49
	<u>2 321 17</u>
Unallocated:	
Community promotion	1 700 90
Insurance	11 420 00
Miscellaneous	2 020 09
	<u>15 140 99</u>
Liquor law enforcement:	
Wages	<u>360 00</u>
Fire protection:	
Wages	1 200 00
Operating supplies	27 180 00
Telephone	827 30
Miscellaneous	1 941 13
	<u>31 148 43</u>
Ambulance:	
Contracted services	<u>9 725 52</u>
Street lighting:	
Utilities	<u>6 771 60</u>
Sanitation:	
Wages	3 128 00
Contracted services	11 943 48
Miscellaneous	280 84
	<u>15 352 32</u>

TOWNSHIP OF FELCH
Dickinson County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 3

Recreation:	
Supplies	1 045 17
Miscellaneous	120 00
Repairs and maintenance	<u>6 205 01</u>
	<u>7 370 18</u>
Capital outlay	<u>1 733 79</u>
Total Expenditures	<u>155 569 85</u>

TOWNSHIP OF FELCH
Dickinson County, Michigan

CURRENT TAX COLLECTOIN FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>42 032 79</u>	<u>594 224 00</u>	<u>606 941 90</u>	<u>29 314 89</u>
<u>Liabilities</u>				
Due to other funds	34 683 42	38 124 81	43 493 34	29 314 89
Due to others	<u>7 349 37</u>	<u>556 099 19</u>	<u>563 448 56</u>	-
Total Liabilities	<u>42 032 79</u>	<u>594 224 00</u>	<u>606 941 90</u>	<u>29 314 89</u>

CAMPBELL, KUSTERER & CO., P.C.

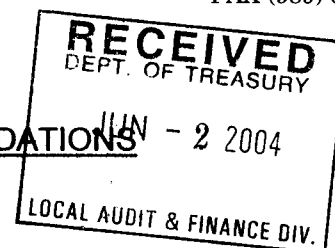
CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



May 18, 2004

To the Township Board
Township of Felch
Dickinson County, Michigan

We have audited the financial statements of the Township of Felch, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Felch in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

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For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

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GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Felch will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants